

# EXHIBIT 11



**AFFILIATED FM INSURANCE COMPANY**  
**Explanatory Memorandum**  
**Filing AFM-2016-3**

Affiliated FM Insurance Company (hereinafter the “Company”) specializes in insuring large and complex commercial and industrial entities commonly referred to as Highly Protected Risk (HPR) business.

This explanatory memorandum is provided only for informational purposes. It does not modify, limit or enlarge insurance policy provisions. The actual rights and responsibilities of the Insurer and the Insured are contained in the policy’s terms and conditions.

There is no change in the rate manual and no filing is required in the Company’s state of domicile, Rhode Island. This filing is being submitted nationwide where required.

*With our continued interest in commercial property insurance contract certainty, AFM has revised the policy for ease of use and clarity of policy language. The Policy provides wording in a way that:*

- *Serves as the foundation of insurance coverage intent*
- *Helps ensure a common understanding of coverage intent*
- *Helps facilitate a smooth claims process in the event of a loss*

In this filing, the Company is submitting a revised all risk coverage property damage and business interruption policy, the S-1 Declarations, four optional occupancy endorsements and sixteen optional special terms and conditions clauses. The majority of the policy coverages in these forms were previously filed and approved in the proVision Policy series of forms in 2015. The Company’s intent is to simplify the coverage wordings and to provide enhanced cover.

The Company requests an effective date of **January 1, 2017** for each form contained in this filing. The Company intends to make the enclosed forms available for new and renewal business for use from that effective date.

The Company Filing Number for the previously filed and approved policy forms are listed in “Appendix A– Previous Filing Reference” (hereinafter the “Appendix A”). In addition, to the previous Company Filing Number, Appendix A contains the specific form number of the previously filed form.

The forms included in this filing are as follows:

- PRO AR 4100: All Risk Coverage Policy (1 Form) and a red-line compare
- PRO S-1 4100: Declarations (1 Form) and a red-line compare
- PRO CO-N 4100 (1 Form)
- PRO HC 4100 (1 Form) and a red-line compare
- PRO RE-N 4100 (1 Form)
- PRO RT 4100 (1 Form) and a red-line compare



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- FORMS 7554, 7555, 7556, 7557 - Special Terms and Conditions Clauses and a red-line compare
- STATE AMENDATORY ENDORSEMENT for informational purposes

Below is a summary of the revised policy. Most of the modifications are grammatical and editorial in nature, such as structure, rephrasing and reformatting of text without materially changing coverage. All new cover and enhanced cover is explained below in this Explanatory Memorandum.

**DECLARATIONS – PRO S-1 4100**

Grammatical and editorial changes have been made to identify coverage name changes. There is no material change in coverage.

**PRO AR 4100 - ALL RISK COVERAGE**

**C. EXCLUSIONS**

**Group I.**

4. Grammatical and editorial changes have been made to identify coverage name changes. There is no material change in coverage.

**D. ADDITIONAL COVERAGES**

The title of this section has been changed for clarification. There is no material change in coverage.

**Brand Protection**

Previous coverages Brands & Labels and Control of Damaged Property have been consolidated into this one coverage for clarification. There is no material change in coverage.

**Communicable Disease – Property**

This coverage was previously approved as Communicable Disease Cleanup, Removal and Disposal in Form PRO HC 4100 (04/15), Filing AFM-2015-1. The coverage was previously available to insureds with healthcare occupancies only and now is core coverage. Grammatical and editorial changes have been made for clarification. The coverage also now allows for an officer of the Insured to trigger the coverage and notice has been added that a waiting period applies. This is an overall expansion in coverage.



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**Data, Programs or Software**

Grammatical and editorial changes have been made for clarification and notice has been added that a qualifying period applies. There is no material change in coverage.

**Decontamination Costs**

Grammatical and editorial changes have been made for clarification. There is no material change in coverage.

**Demolition and Increased Cost of Construction**

Coverage Down Zoning and Rezoning (approved in PRO CO 4100 (04/15) and PRO RE 4100 (04/15), Filing AFM-2015-1) has been consolidated into this coverage for clarification. This is an overall expansion in coverage.

**Fine Arts and Valuable Papers and Records**

Previous coverages Fine Arts and Valuable Papers and Records have been consolidated into this one coverage for clarification. There is no material change in coverage.

**Money and Securities**

The reporting time limit has been removed from this coverage. This is an expansion in coverage.

**Off Premises Data Services – Property Damage**

This is a new coverage for property damage loss that results from the interruption of data services such as cloud computing, ISPs and email- including the transmission of voice, data or video. This is an expansion in coverage.

**Off Premises Service Interruption –Property Damage**

Grammatical and editorial changes have been made for clarification to distinguish this coverage from Off-Premises Data Services – Property Damage coverage and notice has been added that a qualifying period applies. There is no material change in coverage.

**Tenants Legal Liability**

Grammatical and editorial changes have been made for clarification. There is no material change in coverage.



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**Unnamed Property**

The name of this coverage has been changed for clarification. There is no material change in coverage.

<b>PRO AR 4100 - BUSINESS INTERRUPTION</b>
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**B. BUSINESS INTERRUPTION COVERAGE**

**Extra Expense**

Grammatical and editorial changes are made to clarify the applicable period of liability. There is no material change in coverage.

**BI Select**

The title of this coverage has been changed to utilize the Company's trademarked coverage name. There is no material change in coverage.

**C. PERIOD OF LIABILITY**

The Period of Liability now allows coverage for business interruption loss that results from the need for restaffing or retraining that occurs within 90 days of installation for new machinery that replaces damaged machinery. This is an expansion in coverage.

**E. BUSINESS INTERRUPTION COVERAGE EXTENSIONS**

**Crisis Management**

This coverage has been extended to include workplace accidents as a trigger of coverage. This is an expansion in coverage. Please note that this is not a workers' compensation coverage, but a property damage coverage that is triggered by a workplace accident.

**Communicable Disease – Business Interruption**

This coverage was previously approved within Communicable Disease Cleanup, Removal and Disposal in Form PRO HC 4100 (04/15), Filing AFM-2015-1. The coverage was previously available to insureds with healthcare occupancies only and now is core coverage. Grammatical and editorial changes have been made for clarification. The coverage also now allows for an



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officer of the Insured to trigger the coverage and notice has been added that a waiting period applies. This is an overall expansion in coverage.

**Computer Systems Non-Physical Damage**

Grammatical and editorial changes have been made for clarification and notice has been added that a qualifying period applies. The coverage has also been expanded to cover loss resulting from the Insured's reasonable action to protect equipment or media. This is an overall expansion in coverage.

**Off-Premises Data Services – Business Interruption**

This is a new coverage for business interruption loss that results from the interruption of data services such as cloud computing, ISPs and email- including the transmission of voice, data or video. This is an expansion in coverage.

**Off-Premises Service Interruption – Business Interruption:**

Grammatical and editorial changes are made for clarification to distinguish this coverage and Off-Premises Data Services – Business Interruption coverage and notice has been added that a qualifying period applies. There is no material change in coverage.

<b>PRO AR 4100 - LOSS ADJUSTMENT AND SETTLEMENT</b>
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**Valuation**

Grammatical and editorial changes are made for clarification. There is no material change in coverage.

<b>PRO AR 4100 - DEFINITIONS</b>
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**I. DEFINITIONS**

**communicable disease:** Definition is added.

**irreplaceable:** Definition is added.

**location:** Updated to reflect newly named coverages.

**off-premises data processing or data transmission services:** Definition is added.



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**workplace accident:** Definition is added. Please note that this definition does not apply to a workers' compensation coverage, but a property damage coverage that is triggered by a workplace accident.

<b>OCCUPANCY ENDORSEMENTS</b>
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**Condominium Endorsement: PRO CO-N 4100**

This is a new endorsement to provide coverage for condominium insureds. A majority of this coverage was previously approved in Form PRO CO 4100 (04/15), Filing AFM-2015-1. The Contingent Real Property coverage has been expanded to include coverage for difference in definitions, perils or conditions. Similar language was previously approved in Form PRO WW 4100 (04/15), Filing AFM-2015-1. **“Down Zoning and Rezoning”** has also been deleted, this cover is now included in the PRO AR 4100 under **“Demolition and Increased Cost of Construction”**. This is an overall expansion in coverage.

**Healthcare Endorsement: PRO HC 4100**

- **“Change of Temperature”** title is replaced with **“Spoilage”**.
- **“Communicable Disease Cleanup, Removal And Disposal”** is deleted, this cover is now included in the AR 4100 under **“Communicable Disease”**.

**Real Estate Endorsement: PRO RE-N 4100**

This is a new endorsement to provide coverage for real estate insureds. A majority of this coverage was previously approved in Form PRO RE 4100 (04/15), Filing AFM-2015-1. The Contingent Real Property coverage has been expanded to include coverage for difference in definitions, perils or conditions. Similar language was previously approved in Form PRO WW 4100 (04/15), Filing AFM-2015-1. **“Down Zoning and Rezoning”** has also been deleted, this cover is now included in the PRO AR 4100 under **“Demolition and Increased Cost of Construction”**. This is an overall expansion in coverage.

**Retail Endorsement: PRO RT 4100**

- **“Change of Temperature”** title is replaced with **“Spoilage”**.
- **“Communicable Disease Cleanup, Removal And Disposal”** is deleted, this cover is now included in the AR 4100 under **“Communicable Disease”**.



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<b>SPECIAL TERMS &amp; CONDITIONS - FORMS 7554, 7555, 7556, 7557</b>
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Grammatical and editorial changes to be consistent with policy format. There is no material change in coverage.

Nine clauses were previously filed in Form 7525 in Company Filing Number AFM 2015-1.  
Five clauses were previously filed in Form 7539 in Company Filing Number AFM 2015-4.  
One clause was previously filed in Form 7451 in Company Filing Number AFM 2012-16.

The clauses in this filing will replace only the clauses noted in Appendix A – identified by ST&C Clause Name and PRO #.

One clause is new, Worldwide Unnamed Property Supply Chain Coverage Territory, PRO # 666.  
Supply chain coverage is provided anywhere in the world except in the countries listed.

<b>STATE AMENDATORY ENDORSEMENT</b>
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Attached for informational purposes only. No Changes.



<b>AFM-2016-3</b>				
<b>Appendix A: Previous Filing Reference</b>				
<b>Policy Name</b>	<b>Form #</b>	<b>Previous Company Filing #</b>	<b>Previous Form #</b>	<b>Current Form #</b>
<b>Policy</b>				
PRO AR 4100: All Risk Coverage Policy	PRO AR 4100	AFM-2015-1	PRO AR 4100	PRO AR 4100
PRO S-1 4100: Declarations	PRO S-1 4100	AFM-2015-1	PRO S-1 4100	PRO S-1 4100
<b>SEGMENT ENDORSEMENTS</b>				
Condominium: PRO CO-N 4100	PRO CO-N 4100	New	New	PRO CO-N 4100
Healthcare: PRO HC 4100	PRO HC 4100	AFM-2015-1	PRO HC 4100	PRO HC 4100
Real Estate: PRO RE-N 4100	PRO RE-N 4100	New	New	PRO RE-N 4100
Retail: PRO RT 4100	PRO RT 4100	AFM-2015-1	PRO RT 4100	PRO RT 4100
<b>ST&amp;C Clause Name</b>	<b>PRO #</b>	<b>Previous Company Filing #</b>	<b>Previous Form #</b>	<b>Current Form #</b>
California, Hawaii, Alaska, and Puerto Rico Earth Movement Exclusion	124	AFM-2015-1	7525 (4/15)	7554 (01/17)
Specific Earth Movement (Location(s)) Exclusion	125	AFM-2015-1	7525 (4/15)	7554 (01/17)
Specific Earth Movement (State(s)) Exclusion	126	AFM-2015-1	7525 (4/15)	7554 (01/17)
Specific Flood Exclusion	128	AFM-2015-1	7525 (4/15)	7554 (01/17)
Seepage Coverage	410	AFM-2015-1	7525 (4/15)	7554 (01/17)
Fine Arts	13	AFM-2015-1	7525 (4/15)	7554 (01/17)
Motor Truck Cargo Coverage	140	AFM-2015-1	7525 (4/15)	7554 (01/17)
Worldwide Unnamed Location Coverage	166	AFM-2015-1	7525 (4/15)	7554 (01/17)
Transit Valuation - Replacement Cost for Personal Property not under invoice	416	AFM-2015-1	7525 (4/15)	7554 (01/17)
Newly Acquired Property Earth Movement and Flood Exclusion	399	AFM-2015-4	7539 (9/15)	7555 (01/17)
Off Premises Service Interruption – Earth Movement and Flood Exclusion	600	AFM-2015-4	7539 (9/15)	7555 (01/17)
Unnamed Locations - Earth Movement and Flood Exclusion	601	AFM-2015-4	7539 (9/15)	7555 (01/17)
Overhead Power Transmission Lines Exclusion	130	AFM-2015-4	7539 (9/15)	7555 (01/17)
Historical Replacement Cost	157	AFM-2015-4	7539 (9/15)	7555 (01/17)
Newly Acquired Property	400	AFM-2012-16	7451 (12/12)	7556 (01/17)
Worldwide Unnamed Property Supply Chain Coverage Territory	666	New	New	7557(01/17)